Political and Economic Instability, and Poverty in Fiji

Anas Khan
Riad Khan

Abstract
Poverty has significantly increased since the first military coup in 1987. Political instability, resulting in downturn in economic performance is one of the most pressing issues facing Fiji now. This study explores the types and depths of poverty, income inequality and economic and political discord amongst the communities in Fiji. It further investigates the issues of discrimination and elements of social fracture that leads to bitterness and social fragmentation of people.

Introduction

Poverty in Fiji has been a pressing problem since pre-independence. For thousands of poor people, life continues to be a struggle with very little assistance from the government. The social fabric of the society is severely fragmented along political and racial grounds. For many people, economic hardship is a daily reality. The World Bank’s prescription of Structural Adjustment Programs (SAPs) for developing countries did not augur well in the case of Fiji, as poverty levels have generally increased with a depressed economy. The economy was projected to contract by 3.9 percent in 2007, compared to a decline of 2.5 percent expected earlier. The decline is linked to political instability that has continued to reoccur since 1987. The current Interim Prime Minister states that this is a result of mistakes made by leaders since independence, which gave rise to institutionalised racism (Kumar, 1997). The interim Prime Minister stated recently that since independence in 1970, ‘Fiji’s politics and governance experience have been dominated by and caught in divisive, raced-based politics, policies and institutions’ (Bainimarama, 2007: 1). The effects of divisive race-based politics and policies have trickled-down to the disadvantaged communities where income disparity continues to take the centre-stage and race rhetoric has prevailed as a defence mechanism for the elite ruling classes. This has contributed to continued political and economic instability.

To address these problems, multi-pronged action plans are needed. Aid from donor agencies, which remain threatened in the current political climate, needs to be sustained to alleviate the hardships of the poor people. Due to declining foreign aid, efficient utilization of the existing resources is the only hope for the government. A focused approach by all organizations involved in welfare projects is imperative to curb the growing poverty problem. The interim regime’s National Charter for Building a Better Fiji appears to be a light at the end of the tunnel for the poor. However, the support and cooperation required by the government to steer country towards economic, political and social prosperity and cohesiveness lies in the hands of all the communities and leaders.

Types and Depth of Poverty

Fiji has experienced increasing levels of hardship amongst all the communities since the first military coup in 1987. Two common types of poverty are prevalent amongst the poor in Fiji - relative and absolute poverty. Absolute poverty refers to a condition where people lack basics of life, such as food and shelter. Relative poverty refers to a condition where the lower strata of the population has much smaller share of income than the upper strata (UNDP Fiji Poverty Report, 1997). Both these types of poverty exist in Fiji. Relative poverty arising from income disparity is experienced on a larger scale while absolute poverty at a relatively smaller scale. According to the current trend, absolute poverty is increasing and the vulnerable communities are finding it harder to recover from their difficulties.

Relative poverty is defined as the proportion of household which earns less than a certain percent of median income, often set at 50 percent. Tables 1 and 2 illustrate that in 1990/91, 33 percent of households were considered to be poor. By sector, this includes 29 percent of all urban households and 35 percent of all rural households, which by ethnicity includes 31 percent of Fijian households, 34 percent of Indo-Fijian households and 27 percent of other groups. The difference is even greater if per capita income is used (UNDP Fiji Poverty Report 1997). The 1990/91 HIES data indicated that 10 per cent of households were living in food poverty, 25 per cent in basic needs poverty and 33 per cent in relative poverty.
The national absolute poverty rate in 1977 was 15 percent; the rate increased to 25.2 percent by 1991 (see Table 3). This was partly due to the effects of the military coup of 1987 which resulted in loss of jobs, reduced working hours, and decrease in investment. Part of the increase in poverty was due to weak economic performance during the early 1980s. Poverty increased in Fiji during the late 1980s and early 1990s despite phenomenal performance in some exports sectors, which stood at $328.5 million compared to about $276 million in 1986. Chand (2007) points out that one in eight in the population lived in poverty in 1977, which rose to one in four by 1990/91 and one in three by 2002/2003. Chand argues that on this trend it could reach a rate of one in two (50 percent) by 2020. This is attributed to economic decline but it may also be attributed to the lack of rural and urban development strategies and failure on the part of the government to provide adequate social safety nets for the poor.

### Table 1: Population in Relative Poverty by Area 1990 - 1991

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Urban</th>
<th>Rural Village</th>
<th>Rural settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on household income</td>
<td>32.7</td>
<td>29.0</td>
<td>35.2</td>
<td>34.9</td>
</tr>
<tr>
<td>Based on per capita household income</td>
<td>37.6</td>
<td>31.2</td>
<td>43.6</td>
<td>39.7</td>
</tr>
</tbody>
</table>

(Source: UNDP Fiji Poverty Report 1997)

### Table 2: Population in Relative Poverty by Ethnicity 1990 - 1991

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Indo-Fijian</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on household income</td>
<td>32.56</td>
<td>31.28</td>
<td>34.46</td>
</tr>
<tr>
<td>Based on per capita household income</td>
<td>37.61</td>
<td>36.59</td>
<td>36.61</td>
</tr>
</tbody>
</table>

(Source: UNDP Fiji Poverty Report 1997)

The figures in Table 3 clearly show that a substantial percentage of Fiji’s population fell below the poverty line over the last three decades. For instance, absolute poverty is rife in Vatukena following the closure of the gold mine. Lot of children are now living on cassava diet and some parents have opted not to send their children to school because of growing hardship (see *Fiji Times*, 9 July 2007). The most valid reason for this is past governments’ lack of vision to formulate effective policies and take a proactive approach to execute contingency plans to address the plight of these poor people. Many children have been forced to leave school at a very early age, which is irreparable damage done to many of the families and their prospect for better lives. It is not surprising that many in Fiji’s impoverished squatter settlements are facing similar conditions.

A video documentary on squatters in Fiji, *Struggling for a Better Living* (2007), claims that from 1999–2005, squat settlements in Suva alone have nearly doubled. In 2006, there were 182 squat settlements around the country; the western division was home to 80 settlements, the eastern and central division had 72 settlements and in the northern division had 30 squat settlements. Squatters around the country live in unhygienic conditions, for example, squatters in Veiadogo near Suva city, occupy the land which was once a rubbish dump. Currently, approximately 100,000 people live as squatters with no access to safe water, electricity and sanitation services. In urban areas, desperate families crowd in substandard housing, while the number of beggars, including child beggars, on the streets has increased. There has also been an alarming increase in prostitution and increasing number of dropped outs from schools as a result of financial constraints. One major cause of these problems is the unresolved land lease problem, which resulted in 5,661 non-renewals of leases that displaced 28,300 people between 1999 and 2005. This, together with the declining rural economy, escalated the rural-urban drift.

### Table 3: Incidence of Poverty in Fiji 1977 1991 and 2002-03

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>15.0</td>
<td>25.2</td>
<td>34.4</td>
<td>60</td>
<td>+9.2</td>
<td>+19.4</td>
</tr>
<tr>
<td>Urban</td>
<td>11.6</td>
<td>32.8</td>
<td>31.8</td>
<td>150</td>
<td>-1.0</td>
<td>+20.2</td>
</tr>
<tr>
<td>Rural</td>
<td>21.4</td>
<td>23.1</td>
<td>38.1</td>
<td>40</td>
<td>+15.0</td>
<td>+18.5</td>
</tr>
<tr>
<td>Settlement</td>
<td>19.6</td>
<td>29.0</td>
<td></td>
<td>5</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>


Real Poverty, Perceptions and the Political Economy

Income inequality has been an issue in Fiji, as in other developing countries. Many issues have been raised on low wages and salaries, which is a significant contributing factor to the suffering of the poor. The incomes of all rural groups are below average, where the rural Indo-Fijians are below average by 24 percent and indigenous Fijians and other groups are lower by 13 percent. Nationally, rural incomes are 17 percent below the national average, while urban incomes are 20 percent above the average— a gap of 37 percent (Narsey 2006).

The magnitude and extent of poverty in a country depend on two
factors: first, the average national income; and second, the distribution structure. Clearly, for any level of national per capita income, the more unequal the distribution is, the greater the incidence of poverty; similarly, for any given distribution, the lower the average income level, the greater the incidence of poverty (Todaro 1994). Therefore, a minimum wage rate policy could narrow the income inequality gap to some extent and provide the poor workers with a dignified living, that is, with decent housing and healthy diet (Narsey 2006). But this is not as straightforward as it sounds. Keeping the economy competitive is another concern that often contradicts the foregoing proposition. Prasad (1998) argues that the wage rate policy established in 1985 was designed to maintain low wage rate to keep Fiji’s export internationally competitive. This approach to the market policies widened income inequalities and severely affected the poor and the disadvantaged.

The 1997 Fiji Poverty report states that a majority of the low income households were employed in low paid jobs which consisted of farming and blue collar jobs, whilst others were employed in manufacturing and retailing services. 50 percent of females in low income households worked as housemaids or did sewing jobs in urban areas (UNDP Fiji Poverty Report 1997: 6). According to Narsey (2006), some 51 percent of permanent wages accrues to Fijian households and 40 percent to Indo-Fijians, which is roughly in the same proportion as their respective population shares. However, the proportions are reversed for casual wages with 55 percent accruing to Indo-Fijians and 40 percent to Indigenous Fijians. This has a bearing on the prevalence of poverty amongst Indo-Fijians, as casual wages are generally associated with low wages. It is interesting to note that Indo-Fijians as a group derive only 43 percent of their incomes from agricultural businesses, a significant change given the historical association of Indo-Fijians with agricultural. The indigenous Fijians, on the other hand, derive 55 percent of their income from agriculture. This is probably explained in large part by the decline of sugar cane farming amongst Indo-Fijians with the expiry of the land leases (Narsey 2006: 26). Kumar and Prasad (2004) state that the 1997 Fiji Poverty Report had established that at least half of the low income household heads were the sole earners as well as most vulnerable in terms of sustaining their livelihood. Therefore, this proportion of households would easily be pushed into poverty if the income earner lost the capacity to earn an income.

Over the last two decades Fiji’s economic and political climate has changed dramatically as a result of coups and political instability. Many major businesses have closed and as a result, exports have declined. Without parallel drops in imports, foreign reserves would be threatened. The coups have resulted in dwindling investor confidence, increasing un- and under-employment and exodus of skilled workers. There has also been a significant deterioration - of nearly 10 percent - in its governance ratings score following the 2000 coup (Grynberg 2005). All of these events are intertwined with growing levels of poverty in the country. The manifestations of these ills are also clearly visible in the civil service where ill-will and social discord is rampant. On the political front, the country seems to have plunged into darkness with little hope for dialogue and understanding.

Those in power continue to manipulate and frequently flaunt the rule of law. The current Interim Prime Minister has shown open contempt for such practice but some critics say that this has not fallen under his leadership. Bainimarama argues that corruption and divisive policies were encouraged under the past governments to suit the agenda and needs of those in power. Political crusades have not spared any sector of the economy. The politics of the sugar industry and land leases are well known where many Indo-Fijian farmers have been evicted at a huge cost to the economy. The NLTB and all other stakeholders are still struggling to resolve this problem. Only when this problem is resolved, could the current decline in the sugar industry stop. Otherwise the already fragile economy of Fiji would be affected quite significantly in the near future. Failing to do this will put enormous pressure on state resources to support the increasing number of destitute families in rural areas. The Interim government has this task ahead of it, which the past governments have failed to resolve. While the interim government projects to be making all necessary effort to involve all stakeholders, a speculative media seems to be doing a lot of damage to the process. The media seems to insinuate that the interim regime is trying to alienate the stakeholders, particularly the landowners, from their spheres of influence.

The economic policies of the Interim government look doubtful in many regards as the economy continues to slide down. The economy was projected to contract by 3.1 percent in 2007. All sectors, except manufacturing and mining are now envisaged to record lower-than expected performances, which have resulted in the relatively larger economic contraction’ (RBF 2007:1). This is a major concern for retailers in the country as consumers tighten up their spending behaviour. That is, the hope for domestic demand has also vanished, which brings closure of many businesses closer to reality and further aggravating the unemployment and
hardship situation for the poor people.

Following the military coups in 2000, the prospect of the garment industry had fallen. In 2000, though unrelated to the coups, the US removed its preferential treatment of exports from countries like Fiji under the WTO rules (Prasad and Gani 2007). The unstable political climate and the WTO rules of trade engagement deterred potential investors from investing in the garment industry. There are now renewed fears of further job losses in the tourism sector as many hotels are facing fall in demand. Apart from this the hotels and resort were faced with threats from local landowning units due to the introduction by the Qarase government of the Qoliqoli Bill. A random survey carried out by the Fiji Islands Business magazine estimated that at least 75 per cent of all the hotels and resorts in Fiji would have been effected if this bill eventuated. This legislation would have affected all the hotels and resorts located on beachfronts and river banks. Closure of these businesses would have resulted in significant economic loss to the country in the form of unemployment for thousands of people.

The December 2006 military coup led many hotels to either reduce the working hours or lay-off workers for indefinite periods, although the coup was partly designed to protect the hotel businesses from the troublesome Qoliqoli Bill. Travel advisories released by foreign governments, particularly, Australia and New Zealand affected the industry adversely, pushing the occupancy rates to below 50 percent; the trend could only be reversed, claims the Fiji Islands Hotel and Tourism Association, if more resources are put for tourism marketing. This was a grave concern since the longer the decline continues the more permanent the damage would be for the industry.

Fiji has been suffering from deep-rooted structural problems and governance failures, where parochial ethnic politics has dominated the thinking and decision-making for long (Gounder 2007). As a result of the ethnic line of thinking, past governments have shown insensitivity towards the poor people, since social welfare falls out of the agenda and ethnicity becomes more prominent (Srikandhrjah 2003). These have been the worst during the Qarase government. Asenaca Caucau, who was the State Minister for Housing at the time, for example, stated that police should make every effort to round up and remove squatters from the settlements they occupy. Caucau had also ordered police action on street beggars in the city and town areas in 2004 and 2005. A majority of the street beggars are of Indo-Fijian descent; with no access to land, many of them form part of the most unprivileged group in Fiji. In contrast to her stand on squatters and beggars the minister was very sympathetic to the plight of the prisoners and had created a special fund to look after their families when prisoners were in custody.

The labour government in 1999 had a more direct approach to solving the poverty problems. It had increased direct welfare assistance from $3.3m to $11m and removed Value Added Tax (VAT) and import duties from basic food items. It also brought 17 essential household items under price control and brought down interest rates on Housing Authority loans for low income earners quite substantially.

Discrimination, Racism and Poverty

Discriminatory policies based on race were prevalent during the pre-independence period, which continued more vigorously under Mara and Rabuka governments. The colonial government had different policies for ethnic Indians and Indigenous Fijians. After independence in 1970 the ruling Alliance Party, led by Ratu Sir Kamisesse Mara and the party motto ‘For the good of All’, took a decisive step to move towards more appeasing policies for indigenous Fijians. It introduced special policies for commercial loans for indigenous Fijians, and for indigenous Fijian education. After the 1987 coups, a ‘Nine Point Plan’, produced by a Fijian Initiative Group comprising indigenous Fijian professionals and entrepreneurs, proposed an injection of $20 million of public funds into Fijian Holdings Limited (FHL) in the form of a loan to the Fijian Affairs Board, formation of a unit trust for indigenous Fijians and a compulsory savings scheme for Fijians. It further proposed concessions to be granted to Fijians under commercial Loans administered by the Fiji Development Bank. It also proposed the establishment of a Management Advisory Services Department in the Fiji Development Bank where indigenous Fijians could have a compulsory minimum ownership of selected resource-based industries; this department could then serve to reserve identified sectors of commercial activities for Indigenous Fijians. Further to this, it proposed a daily newspaper to be owned by Indigenous Fijians, and the FAB to be restructured and strengthened (Chand, 2006).

The former SDL government’s Affirmative Action Plan which was formulated exclusively for the benefit of indigenous Fijians and Rotumans, were grossly discriminatory. It was intended to appease the nationalist Fijians, which helped SDL into power. These moves by the SDL were totally contrary to the original Social Justice Bill. It was intended that under the original Social Justice Bill, government programs would
raise living standards of the disadvantaged communities. Poverty eradication was to be pursued actively through capacity building, ensuring access to resources, pursuing income generating strategies including generating activities for resource owners and the provisions of a social safety net to those in a severe state of deprivation (Chand 2006). Despite the provisions under the 1997 Social Justice Bill to raise living standards of the disadvantage communities, the SDL government directed its affirmative action plan exclusively for the benefit of Indigenous Fijians and Rotumans.

While the poor and disadvantaged indigenous communities deserve more intense assistance from the state, it should not be done at the expense of other races, particularly the Indo-Fijian community and the smaller minorities that are poor and are suffering equal, if not greater deprivation. Current data on rural dwellings, given in Table 4, shows that 43.1 percent Indo-Fijians and 41.3 per cent of other races are living in poverty. In comparison, the Indigenous Fijians are below the 40 percent mark in this regard. In the urban areas, Indigenous Fijians are slightly better-off than Indo-Fijians and other minority groups, particularly for the lower and middle classes.

<table>
<thead>
<tr>
<th>Groups</th>
<th>Percentage of Household in Poverty</th>
<th>Percentage Population in Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fijian</td>
<td>32.0</td>
<td>38.0</td>
</tr>
<tr>
<td>Indo-Fijian</td>
<td>39.6</td>
<td>43.1</td>
</tr>
<tr>
<td>Others</td>
<td>35.8</td>
<td>41.3</td>
</tr>
<tr>
<td>Urban</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fijian</td>
<td>23.2</td>
<td>27.2</td>
</tr>
<tr>
<td>Indo-Fijian</td>
<td>25.2</td>
<td>29.1</td>
</tr>
<tr>
<td>Others</td>
<td>12.4</td>
<td>17.3</td>
</tr>
<tr>
<td>All</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fijian</td>
<td>28.9</td>
<td>34.2</td>
</tr>
<tr>
<td>Indo-Fijian</td>
<td>31.4</td>
<td>35.6</td>
</tr>
<tr>
<td>Others</td>
<td>18.4</td>
<td>24.1</td>
</tr>
</tbody>
</table>

(Source: Fiji Islands Bureau of Statistics)

Affirmative action policies to date have grossly disregarded the 1997 UNDP Fiji Poverty Report, which states that higher proportions of Indo-Fijians are in poverty. The report does not provide support for the proposition set by the past nationalist governments that indigenous Fijians deserve assistance for relief ahead of others (Chand 2006). Despite the findings in the report, the former Prime Minister Laisenia Qarase continued with his racist policies against the poor Indo-Fijians and other minorities (Chand 2006; Srikandarajah 2003).

Aid and Poverty

Fiji also depends on aid quite a bit as it has been part of Fiji’s development strategy. Without this, the country’s economic situation would worsen, particularly for the poor and the disadvantaged. Many development projects, such as maintenance of schools, hospitals and the public and economic infrastructure, depend on international aid. Therefore, Fiji’s bilateral and regional relations are crucial at this stage when the country is in political turmoil and attempting to rebuild and maintain its economy. Australia, New Zealand and the European Union are erstwhile contributors of aid to Fiji. Countries like Japan, China, Taiwan, India and the USA have also contributed positively towards Fiji’s economic needs in the past. These aid resources have helped improve the livelihood of the poor communities in many ways. Since the 1980’s Fiji’s bilateral relations have been more towards the development of infrastructure such as the construction of roads and bridges. Social and economic infrastructure developments in the form of education, health services and welfare service have been a top priority for aid donors. The poor economic performance of Fiji between 1996 and 2000 resulted in an increased allocation of financial and technical assistance towards the development of production sectors such as agriculture and fisheries. With the current political climate in Fiji, the EU has suspended the much needed $219 million aid marked for development projects. Unless Fiji’s interim regime establishes a clear road map towards democratic elections within a short timeframe, these aid resources are not likely to realize. Apart from these traditional areas, assistance is also needed in areas such as transport, communications, water, sanitation and natural resource sectors (Asian development Bank, 2004; World Bank, 2005; and Gounder, 2007).

A Way Forward for Better Social Welfare

The 2008 National Budget with the theme ‘Building a Platform for Quick Recovery and Sustainable Growth’ was regarded as a positive one for the poor in terms of the increase in budget allocation for the Ministry of Housing, Women and Social Welfare from $29.2 million to $32.2 mil-
lion. Duties were reduced from 27 percent to 15 percent on basic food items for such as frozen meat, white rice and canned fish, and from 15 percent to 5 percent for dhal. The regime also announced that social and economic policies for the medium term would involve the formulation of measures to address the plight of the poor and disadvantaged in the society. The increases in the allocation of resources for the poor promised to bring relief for poor families. Better access to education and training, social welfare schemes, finance and credit as well as improved social welfare services were promised. However, the impact of these are yet to be felt; delivery of state programmes may only eventuate if policy makers also closely monitor the implementation of policies and take corrective measures on an ongoing basis.

The new squatter settlers who earn wages below the poverty line are mostly evicted Indo-Fijian sugar cane farmers or those whose land leases have expired. Those families that have moved to towns and cities, and are in poverty, need to be identified and helped by the government. The proposed Peoples Charter prominently mentions actions to address the causes and effects of social problems, which is a positive move towards reconciliation. The review of Agricultural Landlords and Tenants Act and improvements to legislative and institutional arrangements will definitely enhance constructive dialogue and cooperation amongst stakeholders. This would facilitate identifying suitable land for commercial and agricultural development and provide infrastructure for sharing information on land development strategies. In the current climate of discord between stakeholders, establishing mechanisms for information sharing on leasing, and fixing land rentals on a fair basis, is a sound move. It would enhance security of tenure and establish measures to provide confidence to the landowners.

Fiji’s larger neighbours, Australia and New Zealand can provide additional assistance to Fiji’s chronic political and economic situation. Apart from contributing technically and financially towards development projects, it is imperative that they implement policies that provide freer market access to Fiji’s exports. They need to enhance labour mobility in the Pacific so that demand gaps can be easily filled and the excess labour put to productive use. This arrangement will give the opportunity to low income earners to work in Australia and New Zealand as guest workers and provide remittances for Fiji. This will provide the much needed income to the poor and disadvantaged communities.

Conclusion

The rate of poverty in Fiji has increased from 1997 to 2007. Poverty figures, provided through the 1977, 1990/91, and 2002/2003 Household Income and Expenditure Surveys, and estimates and projections based on the HIES survey data, provide a clear pattern to the poverty trend in the country. This places an enormous responsibility on the government to tackle the problem. It is pointed out in this paper that the root causes of the rising poverty rate and factors that contribute to the rising poverty rate, are political instability, declining economic output, unemployment, low wages and underutilization of resources, particularly the use of land for agriculture. In large part, Fiji has neglected to rely on resources for generating livelihoods for people. This has occurred due to persistent disputes between stakeholders; the governments’ failure to resolve such disputes, have led to a persistent decline in the confidence of people in relying on land resources to generate incomes. Policy failures of past governments have also had a detrimental impact on welfare in the country. Racially divisive policies have also contributed to these social and economic ills. Racial policies have also tended to detract policy focus from the fundamental problem of poverty. For policies and programs to be effective in tackling the problem of poverty, there is an urgent need for open dialogue and an inclusive approach to policy making in the country.

References


Anas Khan and Riad Khan are lecturers in the Department of Management, Faculty of Commerce, Hospitality and Tourism, the Fiji Institute of Technology. Email Contacts: khan_a@fit.ac.fj; khan_r@fit.ac.fj